APPENDIX II.

[Vide item V (1) at page 224 supra.]

L.A. BILL No. 34 OF 1956.

(As passed by the Assembly.)

A Bill further to amend the Madras Co-operative Societies Act, 1932.

WHEREAS it is expedient further to amend the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), for the purposes hereinafter appearing;

BE it enacted in the Seventh Year of the Republic of India as follows :—

1. *Short title.*—This Act may be called the Madras Co-operative Societies (Amendment) Act, 1956.

2. *Amendment of section* 2, *Madras Act VI of* 1932.—In the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932) (hereinafter referred to as the principal Act), in section 2, *for* clause (*g*), the following clause shall be *substituted*, namely :—

" (*g*) ' Registrar ' means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act, and includes a person on whom all or any of the powers of a Registrar under this Act have been conferred under section 3; and ".

3. *Substitution of new section for section* 4 *in Madras Act VI of* 1932.—*For* section 4 of the principal Act, the following section shall be *substituted*, namely :—

" 4. *Societies which may be registered.*—(1) Subject to the provisions of this Act, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability :

Provided that—

(i) the liability of a society of which a registered society is a member shall be limited; and

(ii) unless the Registrar otherwise directs, the liability of a society of which the primary object is the creation of funds to be lent to its members and of which the majority of the members are agriculturists, shall be unlimited and the members of such a society shall, on its liquidation, be jointly and severally liable for and in respect of all its obligations.

(2) Whether the liability of the members of a registered society is unlimited or limited by shares, the liability of the State Government or of a financing bank, which has taken shares in such registered society, shall be limited to the share capital subscribed by the State Government or such financing bank.".

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4. *Substitution of new section for section* 6 *in Madras Act VI of* 1932.—*For* section 6 of the principal Act, the following section shall be *substituted*, namely :—

" 6. *Restrictions on interest of member of society with limited liability and a share capital.*—Where the liability of the members of a society is limited by shares, no member other than a registered society, or the State Government shall—

(*a*) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed; or

(*b*) have or claim any interest in the shares of the society exceeding, in the case of a society the primary object of which is the creation of funds to be lent to its members, one thousand rupees, and, in the case of any other society, five thousand rupees.".

5. *Amendment of section* 13, *Madras Act VI of* 1932.—In section 13 of the principal Act, *after* sub-section (*b*), the following sub-section shall be *added*, namely :—

(*c*) (1) Where in the opinion of the Registrar, the amalgamation of two or more registered societies is necessary or desirable for increasing their strength or usefulness, he may, after consulting in the manner prescribed the financing bank to which the societies are indebted, call upon such societies to amalgamate within such time as may be specified by him into one society in accordance with the procedure specified in sub-section (*b*).

(2) If the societies fail to amalgamate into one society within the time specified by the Registrar, he may, after giving an opportunity to the committee of each of the societies to state its objections, if any, direct the amalgamation of the societies into one society.

(3) Every registered society so directed shall within one month of the receipt of the Registrar's direction give notice of the direction to all its members and creditors.

(4) (i) Any member of any of the societies so directed may, notwithstanding any by-law to the contrary, by notice given to the society of which he is a member intimate his intention not to become a member of the new society and shall have the option of withdrawing his shares, deposits, or loans, as the case may be, within a period of one month of the service of such notice.

(ii) Any creditor of any of the societies so directed may, notwithstanding any agreement to the contrary, by notice given to the society of which he is a creditor demand a return of the amount due to him, within a period of one month from the service of such notice.

(5) Any member or creditor who does not exercise his option within the period aforesaid shall be deemed to have assented to the amalgamation.

(6) After the repayment of the share capital of the members and the claims of the creditors, if any, under clause (4)

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by the societies directed to be amalgamated or after a majority of the members and creditors of such societies have assented to the amalgamation, the Registrar may register the new society. On such registration, the registration of the old societies shall be deemed to have been cancelled. The registration of the new society shall be a sufficient conveyance to vest in it all the assets and liabilities of the original societies.

(7) The directions of the Registrar under clause (2) or any other order passed by him under this sub-section shall be final and shall not be called in question in any civil court.

6. *Substitution of new section for section* 21 *in Madras Act VI of* 1932.—For section 21 of the principal Act, the following section shall be substituted, namely :—

" 21. *Prior claim of society.*—(1) Subject to the prior claim, if any, of the Government in respect of land revenue or any money recoverable as land revenue, any debt or outstanding demand due to a registered society from any member or past member or the estate of a deceased member shall be a first charge—

(i) upon the crops or other agricultural produce of such member for the raising of which the loan was taken from the society by such member, and

(ii) upon any cattle, fodder for cattle, agricultural or industrial implements or machinery, or raw materials for manufacture, supplied, or purchased in whole or in part out of the loan of money given by the society, or on any articles manufactured from raw materials so supplied or purchased or on any workshop, godown, or place of business, constructed or purchased out of any such loan.

(2) No property or interest in property which is subject to a charge in favour of a registered society under sub-section (1) shall be sold or otherwise transferred or converted in any manner without the previous written permission of the society.

(3) A member or a past member or the nominee, heir or legal representative of a deceased member of a registered society, shall, if so required by the society, deposit with or entrust to the custody of the society such property as is subject to a charge under sub-section (1) at such place and in such manner as may be prescribed until the debt or outstanding demand due to the society is fully paid and shall also pay towards all expenses incidental to the removal, transport or maintenance of the property so deposited or entrusted to custody. The charges connected with removal, transport or maintenance of such property shall be recovered from the member or the past member or the estate of the deceased member, as the case may be, in accordance with such scale as may be prescribed.

(4) Notwithstanding anything contained in any law, any transaction made in contravention of sub-section (2) shall be void.

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(5) The charge created by sub-section (1) in favour of a registered society shall be available as against any claim of the Government arising from a loan granted under the Land Improvement Loans Act, 1883 (Central Act XIX of 1883) after the grant of the loan by the society.

7. *Amendment of section* 25, *Madras Act VI of* 1932.—To section 25 of the principal Act, the following proviso shall be added, namely :—

" Provided that the State Government or a financing bank which has taken shares in a registered society shall not be liable for the debts of such society."

8. *Amendment of section* 34, *Madras Act VI of* 1932.—In section 34, sub-section (1), of the principal Act, for clause (*c*), the following clause shall be substituted, namely :—

" (*c*) in the shares or securities of any other registered society, provided that no such investment shall be made in the shares of any society with unlimited liability except with the general or special sanction of the Registrar and subject to such limits as may be specified by him from time to time, or ".

9. *Substitution of new section for section* 53 *in Madras Act VI* of 1932.—For section 53 of the principal Act, the following section shall be substituted, namely :—

" 53. *Punishment for disposing of property in contravention of section* 21.—Any person who acts in contravention of sub-section (2) of section 21 or fails to deposit or entrust to custody when required to do so by any society under sub-section (3) of that section shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to five hundred rupees.".

10. *Insertion of new section 57-AA in Madras Act VI of* 1932.—After section 57-A of the principal Act, the following section shall be inserted, namely :—

" 57-*AA*. *Recovery of debts*.—Notwithstanding anything contained in this Act or in any other law and without prejudice to any other mode of recovery which is being taken or may be taken, the Registrar or any person subordinate to him empowered by the Registrar in this behalf may, subject to such rules as may be prescribed and on application from a registered society for the purpose, recover any debt or outstanding demand due to the society by any member or past or deceased member, by sale of the property or interest in property which is subject to a charge under sub-section (1) of section 21 :

Provided that no sale shall be ordered under this section unless the member or past member or the nominee, heir or legal representative of the deceased member has been served, in the manner prescribed, with a notice of the application to sell and has failed to pay the debt or outstanding demand within seven days from the date of such service.".